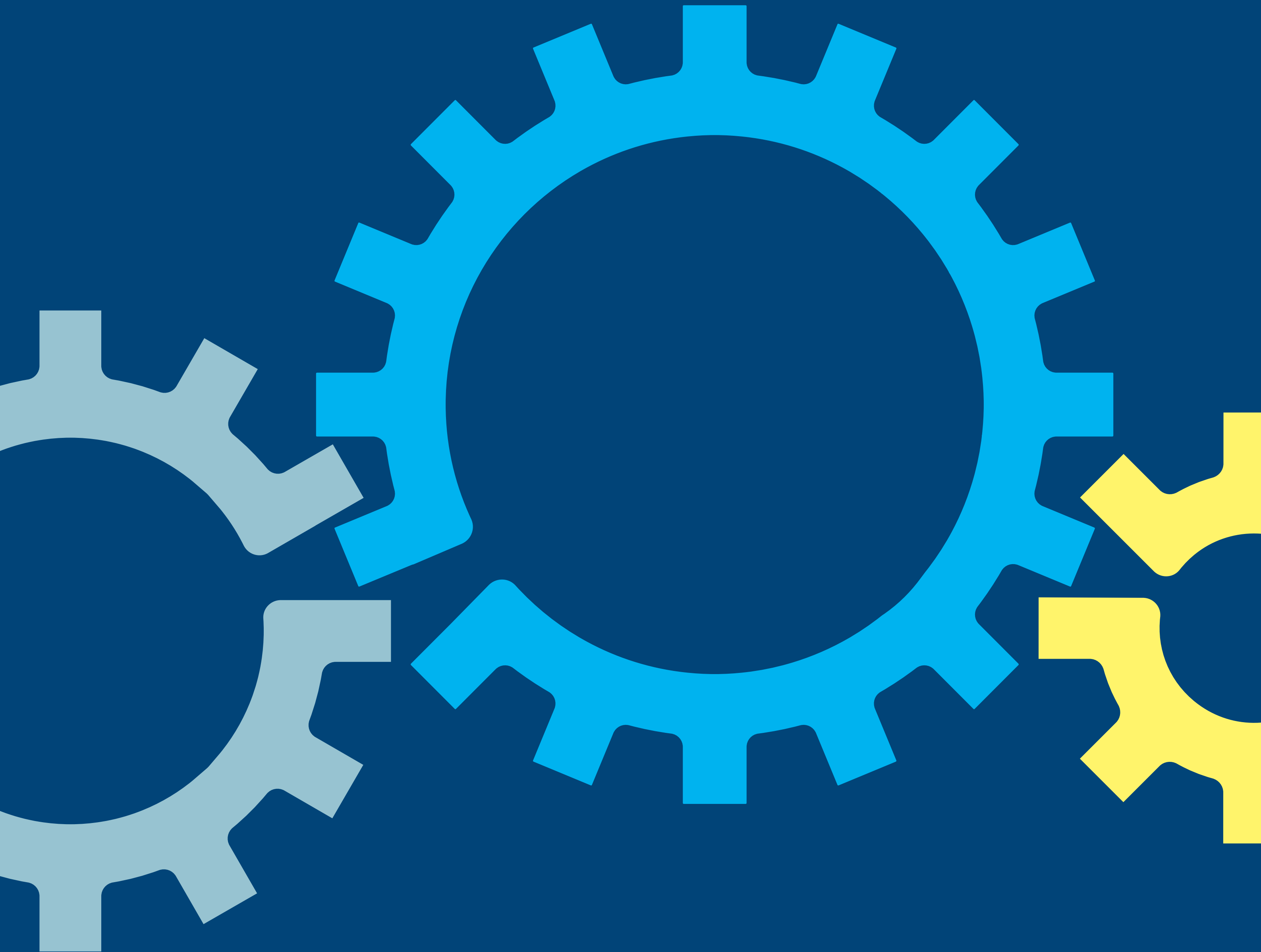
Newable

Productive thinking

Practical proposals to create more productive businesses and drive inclusive economic growth



September 2018

Solving the UK's Productivity Puzzle

Clearly, Brexit is a momentous matter for the UK. However, it is not the only challenge the country faces. Lagging productivity performance and patchy economic growth are, arguably, far more fundamental to our collective prosperity. Not least, as these issues were prevalent prior to Brexit, and unless decisive, effective action is taken, they will persist long after Brexit.

In fact, Andy Haldane, The Bank of England's Chief Economist believes "*the UK faces perhaps no greater challenge, economically and socially, than its productivity challenge.*"[1]

Brexit, therefore, must not consume all of our energies. Global competitors are not marking time waiting for the UK to conclude future trading arrangements. Unless we move forward now, more ground will be lost. The issues will become progressively worse, more deeply seated, much harder to remedy.

Each year, Newable works with over 15,000 of the UK's smaller and medium sized businesses. This provides us with a rich, real world, real time, qualitative "firm level" evidence base. In short, we see companies struggling with productivity issues every day. Equally, we see companies blazing a trail and leaping ahead. Our offering across financial services, business advice and property helps companies operating at the heart of the UK economy thrive, grow and become more productive.

This is Newable's expertise, but it is also Newable's passion. That's why we have published this 'white paper'. Yes, it is designed to stimulate debate. However, its ultimate goal is to stimulate prompt, positive, dynamic action to help our companies help support economic growth right now.

Chris Manson CEO, Newable

Key Recommendations

Productivity has been called the single most important challenge facing the UK economy.

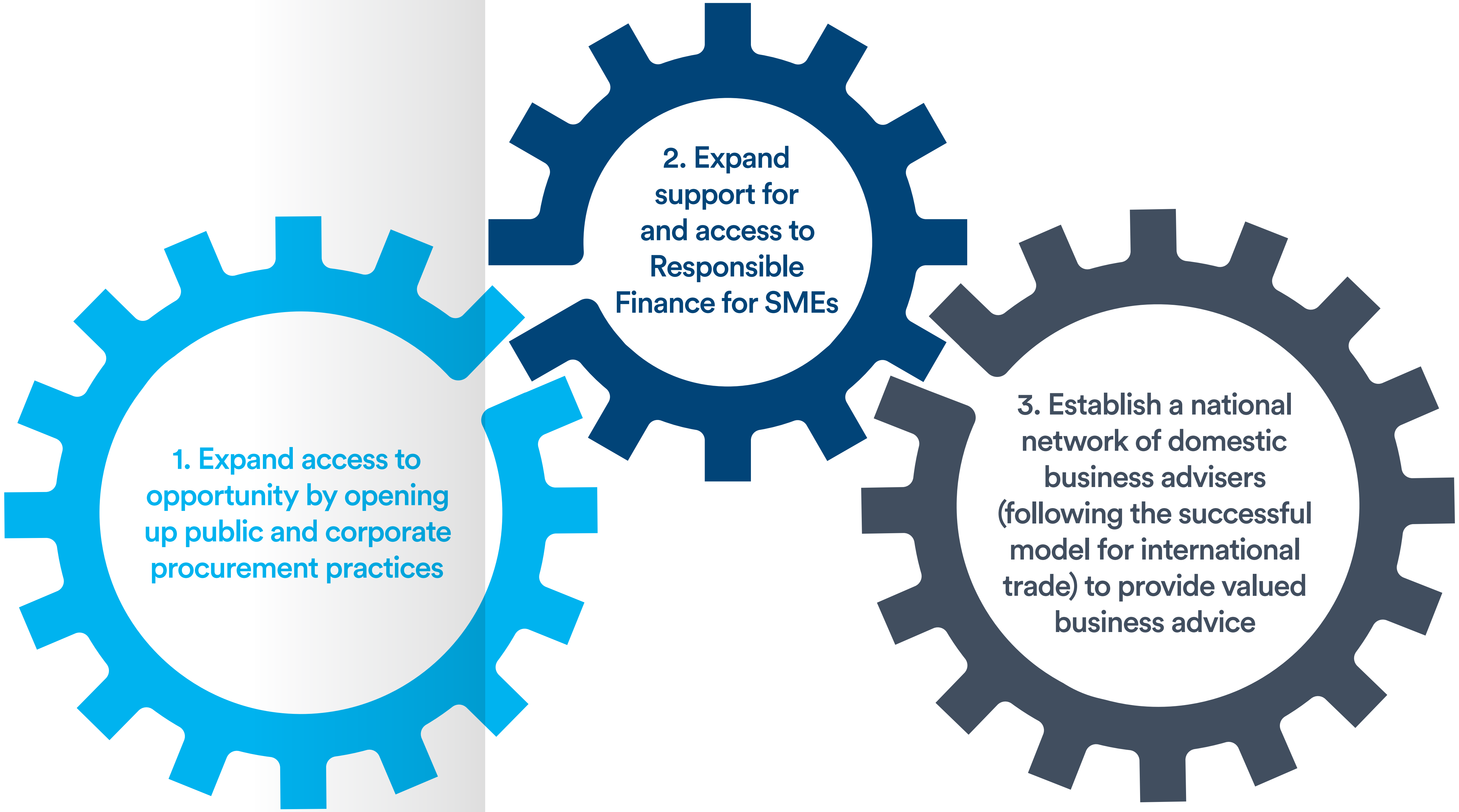
It is a challenge that is most acute for the so called “long tail” of companies the vast majority being SMEs.

We suggest that the UK SMEs have the will to become more productive but lack the way.

Their lack of productivity is the direct result of more fundamental causes, a lack of access to the tools of productivity. Specifically, we see a lack of access to finance for investment, a lack of access to opportunity in terms of supply chains that promote innovation, and a lack of access to the right kind of capability building advice, delivered by the right people in the right way.

Fix these access issues and the gears delivering enhanced productivity for the UK economy will start turning again.

This white paper recommends that we tackle the big problem we face with a bold, connected solution.

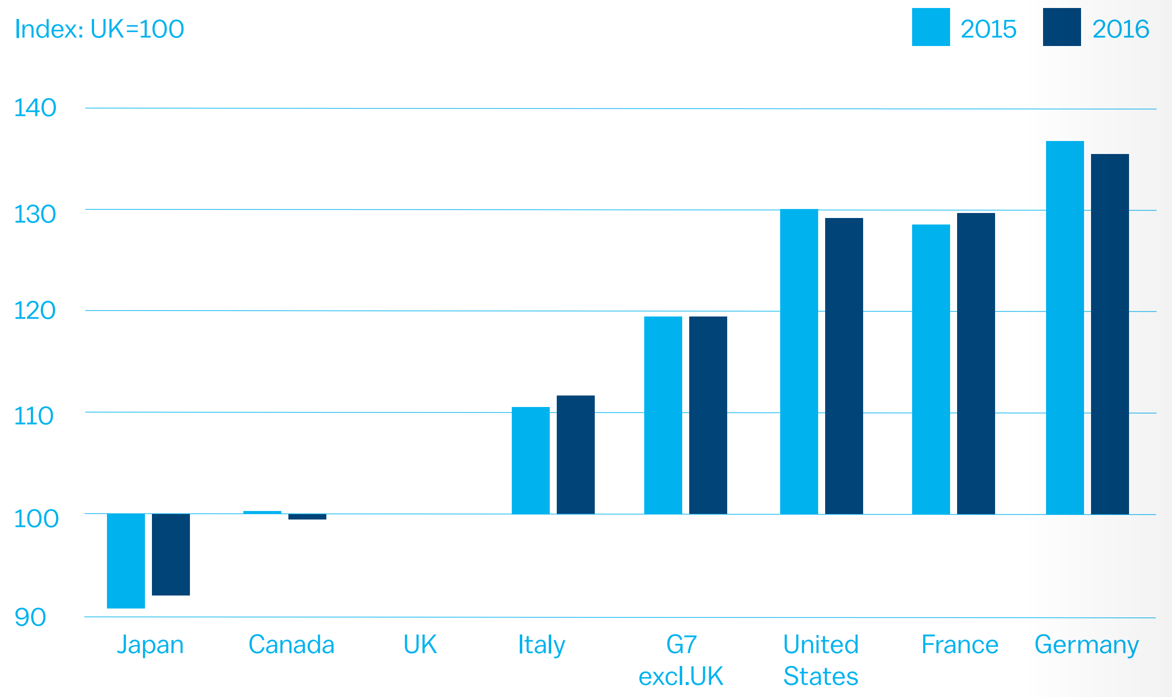


The scale and source of the productivity problem

Productivity in the UK has essentially flat-lined since 2008. The last ten years have been termed the 'lost decade'. Whilst productivity is an issue faced by many economies, the UK's productivity slowdown has been greater than most. In 2016, output per hour worked in the UK was 16.3% below the average for the rest of the G7 advanced economies and roughly 30% behind France and Germany.[2] One of the consequences is that what we pay ourselves has stood still in real terms and therefore living standards have declined. This is not a happy state of affairs and calls for urgent action.

Andy Haldane, the Chief Economist of The Bank of England has termed the UK's productivity challenge a "long tail problem"[3], pointing to the disparity between productivity amongst UK firms. The top 1% grew on average by 8% per year over the ten years to 2014. He states, quite rightly, that these companies are evidence of the UK having more than its fair share of world-leading innovative firms. The issue, he maintains, is with the lower 99% who have experienced annual productivity growth of less than 1% over the same period. This tail is comparatively much longer than other competitor economies and capacity for potential growth in productivity rarely visible. Given the preponderance of smaller businesses as part of the economy, the clear inference is that they are the source of the UK's productivity problem. Consequently, much attention is being focused on the UK's smaller businesses.

Gross domestic product per hour worked, G7 countries



The causes of the productivity problem

The fact that there is a productivity problem at all in the UK is a problem for economists. Economic theory has it that weak, unproductive, incumbent companies inevitably fall victims to new, productive insurgent businesses as part of a Darwinian process commonly referred to as "creative disruption".

The rather inconvenient fact for economic academics is that this, largely, has not happened in the past decade. Consequently, the current situation has been termed the "productivity puzzle".

So how to understand the causes of the problem?

Firstly, it should be noted that many businesses do not have (or arguably need to have) top quartile productivity as their primary goal. And if you're not shooting at the goal, you are unlikely to score.

The UK leads the world in the number of companies starting up according to OECD data. In fact, business formation reached a record high in 2016 with more than 650,000 new businesses starting in the UK, according to analysis of the latest Companies House data by the Centre for Entrepreneurs. This figure tops the previous record set in 2015 of 608,110 new ventures.[4]

Few of these companies will be viable concerns for innovation grant funding, scale up programmatic support or angel investment. Although Newable provides investment and support to this high growth cohort, many of the emerging companies that we see have modest ambitions. Their goals are survival, self-sufficiency and to sustain or maintain a particular lifestyle.

Therefore, a singular focus on productivity may not be particularly relevant to these businesses, will not resonate with them, and any positive impact generated will not materially move the dial of the UK economy. In fact, seeking to apply the same success criteria to these businesses and our cohort of global high flyers is so inappropriate as to be absurd.

However, these notionally unproductive businesses actually create significant social and economic value. They are not the "zombie companies" described by economic theory. Rather, they provide distinctive colour to local communities up and down the country. In fact, their sheer resilience and dogged determination to keep going through thick or thin should be recognised and admired.

Therefore, one of the causes of the UK's productivity problems is what we measure and how we measure it. For example, the

5.7m

The total number of businesses in the UK. 99% are defined as SMEs. Part of the problem is that they are treated as if they are all the same.

"deliverable" that many government supported initiatives and European Regional Development Fund programmes have been seeking is jobs created. In definitional terms, this is an input measure, which in turns places greater pressure on the total output produced. As an unintended consequence, these worthy programmes could actually serve to exacerbate the UK's productivity problem.

In our view, a big part of the productivity problem is the result of treating SMEs as an indistinguishable, homogenous whole. It is also a dangerous practice as such a view leads to one size, fits all remedies that will simply not work equally well, everywhere. That said, it is clear from the evidence that the UK economy does suffer productive issues and of course every business should look to "always improve", to borrow one of Newable's core values. Haldane points to the fact that compared to economies that are more productive, the UK lacks what he calls the infrastructure of "enabling" institutions that help develop management capability and an environment which helps de-risk the adoption of new to firm technologies through such instruments as financial support.

We hear the same thing from the companies we work with every day. They use different language, but it is the same story. They tell us that they are unable to become more productive as they lack enabling access to access to finance, opportunity and and capability building support.

Access denied: to finance

The British Business Bank reported that banks refused 100,000 business loan applications from SMEs creating a £4bn funding gap in 2016.[5] These figures are no doubt understated. SMEs know that they are unlikely to receive funding from traditional finance players, so many do not even bother applying.

£4bn

The value of funding requested by SMEs, refused by mainstream banks in 2016.

Banks, indeed all lenders, look at the ability of a company to service interest and return the principal. However, as much of SMEs cash resource is illiquid, tied up funding the working capital of their larger customers, small businesses often find themselves unable to satisfy the lenders and therefore fail to secure finance.

This is not the only problem. The inordinate length of time – weeks, if not months – that it takes banks to process applications and release funds, means that businesses cannot buy the equipment they need or pursue their investment plans, creating a significant drag on productivity.

Often SMEs seek finance because they struggle to access money held by their customers. In establishing the Office of the Small Business Commissioner, the government estimated that small firms are owed £26bn in late payments - and chasing debts costs millions more.[6] A survey just published by Hitachi Capital (UK) reported that over 60% of small business have been affected by late payments as companies wait for an estimated £50 billion in unpaid invoices.[7] Newable is part of the Responsible Finance movement that seeks, precisely, to advance funding to small businesses refused by the traditional sector. As a result, we see thousands of business plans every year. The vast majority seek to improve, develop and expand their business. In many cases, they rely on deploying new technologies. The most likely outcome would be an improvement to their productivity. Being refused finance halts these plans and denies the productivity gain to UK plc. This is often the direct, unwelcome and often unreported dividend of late payment.

Access denied: to business opportunities

The irony of the small businesses facing late payment issues is that they are the lucky ones. Most small businesses are denied access to public and corporate contracts. The Cabinet Office released figures recently showing that smaller businesses won only 22.5% of central government spending last year, down from 24% in the previous 12 months.[8] There is an official target for small and medium-sized companies to win 33% of public work by 2022. Just to put this in context small businesses make up over 99% of the total number of companies in the UK and over half of our GDP.

22.5%

government spending won by smaller businesses in 2017.

Haldane champions the merits of these supply contracts. *"As well as benefitting efficiency and lowering costs, these supply chains provide a natural infrastructure that could be harnessed to spread good practice across companies."*[9] Being excluded from such supply chains creates a clear disincentive for SMEs to innovate, change and become more productive. The symptom may be the long tail of unproductive SMEs; a major cause is the behaviours and actions of big business and the state.

Access to business support and advice

A lack of management skills and capabilities within SMEs has been advanced as another factor contributing to the UK's poor productivity growth performance. In other words, SME managers lack the 'tools of the trade' to make their business more productive. In fact, the government recently conducted a 'call for evidence'[10] and the BEIS Select Committee is conducting an ongoing inquiry into the topic.[11]

Whilst we have seen that funding is a key barrier to the adoption of new to firm technologies, there is a lower capital cost to learning and deploying new business practices. It also turns out that there is no shortage of advice available, much of it funded via the public purse. It is clear, however, that it has had very little end user, or customer impact. By way of illustration, the government list literally hundred's of disparate programmes that are currently available to SMEs (www.gov.uk/business-finance-support).

The current "patchwork quilt" of schemes is without doubt well intentioned, but it is equally without doubt, serving no broad strategic goal. In our experience, SMEs do not utilise the support that is currently available for the following reasons:

- a lack of awareness of the existence of the support
- the complexity of accessing the support
- a perception of the lack of relevance of the support to their specific business needs
- uncertainty whether the support will still be available in a few weeks' time
- the variable quality of the support provided
- the opportunity cost of the time required to access the support.

Consequently, awareness is extremely low as is uptake by smaller businesses. As the Longitudinal Small Business Survey reported, only 1% of SMEs seek advice from one of the 39 LEPs and just 5% from the local authority.[12] This would suggest that currently the wrong organisations are providing the wrong support in the wrong way.

1%

of SMEs seek advice from an LEP.

The government recently published a policy review document – Strengthened Local Enterprise Partnerships.[13] However, the core focus of this review was the governance, accountability and performance of the myriad of Local Enterprise Partnerships (LEPs), rather than the services they offer to the business community. Frankly, LEPs will not solve the UK's productivity problem. LEPs, of course, were established to create a public, private collaboration to develop local economic planning and inform decision-making. They have been given responsibilities to inform local development plans and now the local iteration of the Industrial Strategy. Therefore, they have neither a core competence, nor the capability to provide meaningful support of SMEs on the ground generically or become more productive specifically. Whilst the Ministry of Housing, Communities and Local Government's policy review is welcome, it does not and will not provide a coherent, joined up, viable solution to the challenge of developing management capability that is required by BEIS.

It follows that positive intervention by government in these three areas is required to cure the economic ills and generate gains in productivity. A direct by-product of successful intervention will be inclusive economic growth.

Solving the productivity puzzle

There is a cultural dimension underpinning the distribution of business productivity. The underlying message being big business good, small business bad. The German economy, on the other hand, exhibits a very different culture. Germany places a high value and importance on family businesses and the 'mittelstand'. In the UK, we might claim that SMEs are the backbone of the economy. In Germany it is. In Germany, policy and action combine to address their needs. Meanwhile in the UK, policy seems to favour the needs of big business and the scale of action to support small business tends to be, well, small. In the UK, family businesses tend to be maligned and the mittelstand is a something of a myth. Consequently, smaller businesses tend not to enjoy access to funding, opportunity and support they need and the government does not get the productivity it demands.

Germany has a comprehensive infrastructure in place funding SMEs. This has three layers: the Sparkassen, operating locally and largely financing local businesses; the Landesbanken, operating regionally and typically serving somewhat larger companies; and KfW, Germany's national development bank. Often, representatives from these organisations will have a role in the governance of German businesses.

Innovation in Germany is a less elitist and more democratic affair. Fraunhofer were first established in 1948 to rebuild the German corporate sector. They have now grown to total 72 in number, covering all sectors and regions across Germany. Collectively, they employ almost 25,000 people and help around 6,000-8,000 companies each year, large and small. They have an annual budget of a little under 0.1% of German GDP. The dispersion of knowledge and capability is far more systematic in Germany through the Steinbeis system. Created in 1971, it is a network of technical professionals whose skills, experience and expertise can be drawn on by companies across Germany.

Over the years, the UK has introduced measures that ape to a greater or lesser extent, usually lesser, the German model. The UK's productivity figures demonstrate that partial adoption has led to at best partial success as to how SMEs are viewed and treated. This change in attitude will enable the UK to see with greater clarity the interventions that need to be made and the commitment to make significant interventions in order to drive UK productivity.

At the start of 2017, there were 5.7 million small, private sector businesses in the UK according to government figures.[14] That's 2.2m more than in 2000. SMEs account for 99.3% of all private sectors businesses. They employ 16.1m people, 60% of all private sector employment. Their combined turnover was £1.9 trillion, 51% of all private sector turnover. Each one is different but collectively these are the businesses at the heart of the UK economy.

By taking a segmented approach to the huge and hugely diverse small business sector, government can identify key issues that constrain gains in productivity more precisely and relevantly.

Government should avoid engaging with big business on an individual basis, and treating small businesses as a single, homogeneous entity. Not least as very few SMEs actually see or describe themselves as a SME. Government should develop a segmentation or taxonomy of small businesses to ensure that interventions can be both targeted and effective.

By taking a segmented approach to the huge and hugely diverse small business sector, government can identify key issues that constrain gains in productivity more precisely and relevantly. This will enable government to make targeted, useful, cost effective interventions that will unlock gains in productivity and growth.

1. Expand support for and access to Responsible Finance for SMEs

We welcome the actions taken by the British Business Bank (BBB) to support smaller businesses. However, more must be done.

The BBB's Small Business Finance Markets report 2017/18[15] lays bare the endemic issues faced by SMEs in gaining access to finance. The BBB points enthusiastically to a 12% year on year growth in the uptake of asset finance. This is indeed a good thing. Particularly if it were to be indicative of a rich diversity of funding lines. Sadly, this is not the case. The report also shows that the mainstream finance sector (the UK's Sparkassen and Landesbanken as it were) continues to withdraw from serving this market.

13%

of SMEs sought external finance in 2017. The proportion was double in 2010.

In the last, lost decade, we have seen the creation of a huge cohort of risk adverse businesses who actively seek to avoid debt financing due to the strong belief that it is a waste of time applying and a fundamental lack of trust in the current providers.

Only 13% of SMEs sought external finance in 2017. The proportion was double in 2010.[16]

The Responsible Finance industry[17] represents an excellent and underutilised channel to deliver fast and fair finance into SMEs. Loans from Responsible Finance providers also come packaged with post-loan mentoring support for SMEs for 12 months after funds have been issued. Tailored, "angel on the shoulder" advice ensures that the SME extracts as much value from the funds as possible. The dividend is more resilient and productive businesses. This mentoring support system could, and perhaps should, be directed to help businesses achieve specific productivity goals.

Currently this support is only available for 12 months, although the loan period is typically between three and five years. According to the Office for National Statistics (ONS)[18] , the one-year survival rate of UK businesses as a whole was over 90% for businesses born between 2011 and 2015. The most recently calculated five-year survival rate is 44.1%. Although we do not experience

loan default rates of anything like this level, we do believe that this does indicate that many businesses would benefit from mentoring support beyond the first year. We therefore recommend that funding is provided (perhaps via the British Business Bank) to enable Responsible Finance providers to extend mentoring support from 12 to 24 months after loans have been issued to businesses. This mentoring support would be tasked with embedding good management practice within SMEs leading to improved productivity.

The other perhaps even more fundamental challenge is the lack of availability of wholesale funding – which ultimately does need to come, largely, from the mainstream banking sector – for the Responsible Finance community to lend on to SMEs.

As a case in point, Newable cannot keep up with demand from excellent SMEs seeking growth finance who are unable to secure it from, or simply don't trust the mainstream providers.

Since we launched Newable Business Finance 18 months ago, we have received applications for over £150m of funding. The typical run rate is now between £15m - £20m each month. The challenge we face is securing wholesale funding of sufficient scale, sufficiently quickly to satisfy end customer demand.

The government already has in place two tools to support lending in this space. The first is The Community Investment Tax Relief (CITR) scheme that encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and other enterprises in less advantaged areas by investing in accredited Community Development Finance Institutions (CDFIs). The tax relief is available to individuals and companies and is worth up to 25% of the value of the investment in the CDFI. The second is the Enterprise Finance Guarantee (EFG) scheme under which the British Business Bank provides security to lenders by guaranteeing 75% of any losses that the lender may suffer, if the borrower subsequently defaults.

Both schemes have potential, but as can be seen by the prevailing lack of finance finding its way through to SMEs, neither is fully fit for purpose. We would suggest that government launches a consultation to explore ways to make these schemes simpler and broader whilst providing value for money to the taxpayer.

The goal must be to enable lenders to deliver more finance into smaller businesses, creating a more diverse and vibrant finance market with a greater choice of options and providers backed by mentoring support where possible.

Case Study:

Travel Joy

Travel Joy is a hostel for young travellers based in London. They approached Newable seeking a loan of £50,000 in February. They wanted to install triple bunk beds to increase capacity. We reviewed the business, granted the loan and had the money in their account within 5 days. They completed the upgrade in time for the Easter peak and enjoyed record bookings.

vimeo.com/newable/traveljoy

2. Expand access to opportunity

Small businesses face considerable barriers when it comes to accessing supply chains of large corporates. Many take a distinctly unfriendly stance – generic email addresses on corporate websites being the extent of their encouragement. The general direction of travel is for such corporates to engage fewer, larger suppliers, in order to eke out the last penny from economies of scale. Too few are active or imaginative in creating marketplaces for suppliers, and there is a distinct lack of innovation in supply chains, which can only lead to a drag on productivity.

There are isolated, but instructive, examples of where opportunities exist. We have, for example, seen positive change occurring as a by-product of the development planning process. Big developers are being instructed to engage with small, local suppliers as part of Section 106 obligations. Unfortunately, we witness too many instances where corporates do not know how to find SMEs, and SMEs do not know how to engage the right channels within corporates, or how to comply with the inevitable processes. In such cases, SMEs who could benefit from the fulfilment of Section 106 obligations – such as local painters and decorators – lose out.

It is clear that many SMEs view the public sector tendering process as confusing, time-consuming and only applicable to companies already in that supply chain. They also have the perception that payments from government agencies might not be timely, which will affect their cash flow. These issues become barriers that preclude SMEs from tendering.

Therefore, increasing awareness of opportunities, adopting simpler tendering processes (e.g. simpler pre-qualification standards), and providing support with the procurement documentation, would make supply chains significantly more accessible for SMEs. In addition, most public sector opportunities are large contracts, but in many cases the contract could be split into smaller lots more accessible to smaller local businesses.

Case Study:

Get Ready to Supply

Newable's "Get Ready to Supply" programme, delivered in association with the JP Morgan Chase Foundation, brings together corporates and SMEs at "Meet the Buyer" events. In the last two years, we have introduced 390 opportunities to more than 106 inner-London SMEs, resulting in 26 contracts being won.

https://bit.ly/2P1AOHk

3. Access to business support and advice

Haldane notes "*at the upper end, the UK seems to have as many high-productivity companies as its main competitors. That fits with the UK's standing as a global innovation hub*". He goes on to say that institutions like the Catapults have cemented this position by "*acting as innovation hubs rather than diffusion spokes*". This, for Haldane, is a major issue: "*the UK does not currently have the diffusion infrastructure for its companies enjoyed by Germany.*"[19] Rather, there is an extensive patchwork of tactical support and advice much of it enabled by soon to expire ERDF funding.

This is to recognise that there is no concerted programme of business support for SMEs available to address "*raising productivity … one of the Government's key priorities and … core to the UK's Industrial Strategy.*"[20] Therefore, the primary objective must be to introduce a tailored solution created specifically to solve the productivity puzzle.

This objective can be met through three stages. First, government should survey the customers of current support programmes to determine awareness, usage and attitudes. The survey would establish what businesses need as well as review what is available. The output would be a gap analysis. Second, the government should pool all budgets assigned to the diaspora of current business support programmes. Third, the government should develop a coherent, easy to access high quality, strategic resource.

However, there is a model where "diffusion spokes" do exist in the UK. It is an area where the UK is genuinely a world leader. The Department for International Trade provides support to businesses seeking to export via a network of International Trade Advisers (ITAs). Interestingly, this system has been in place for as long as some of the highly successful German interventions.

Central direction, management and co-ordination is provided by DIT, acting as the exporting 'hub'. Delivery Partners (including Newable) act as the 'diffusion spokes' with responsibility for specific regions, representing DIT through ITAs who engage directly with a predominately SME client base. The Delivery Partners and individual ITAs are tasked with and incentivised against helping a target number of SME achieve export wins and a gross value of export contracts. For example, last year Newable's DIT teams helped 9,400 companies in London and South East achieve £2bn of new and incremental export sales. Uniquely, amongst the DIT's delivery partners Newable organises its ITA into sector specialist teams. We believe that this provides the best service to the SME client as they are dealing with an expert in their sector.

The targets are reviewed annually, so the service remains sufficiently agile to reflect changes in department strategy. The master delivery contracts are renewed every five years to ensure the taxpayer achieves best value. Given the effectiveness of the UK's international trade advice support service, we recommend the government establish a 'mirror' service of domestic business advisers.

These business advisers would be managed and directed by BEIS rather than DCLG, with the service delivered by major, private sector delivery partners. The service providers will be charged with delivering productivity enhancing initiatives aligned to the Industrial Strategy with appropriate, transparent and measurable targets set and monitored. The service is backed up by DIT's digital resource – www.great.gov.uk. This is a great example of the right solution to a correctly identified need. It is clearly more cost effective to localise a central resource and promote it, than it is to create and maintain a myriad of under-resourced and under utilised local sites such as those provided currently via Growth Hubs. We think that the resources on www.bethebusiness.com could become and should be promoted as the go to resource for online advice for SMEs.

A further delivery model is the Manufacturing Extension Partnership (MEP) which has been running in the US since 1988. Its mission is "*to enhance the productivity and technological performance of U.S. manufacturing*".

The MEP National Network operates in all 50 states and serves small and medium-sized manufacturers. Last year, the MEP interacted with 26,313 manufacturers, leading to $12.6 billion in sales, $1.7 billion in cost savings, $3.5 billion in new client investments, and helped create and retain more than 100,000 jobs.

Interestingly, the MEP has established a partnership with the US Department of Defence (DOD) to help small and medium-sized manufacturers connect to the DOD supply chain. The DOD has a "one stop shop" to access secure, flexible and responsive manufacturing capability, whilst SMEs gain access to opportunities previously denied them. The creation of such partnerships in the UK would also help deal with the chronic lack of supply chain opportunities faced by SMEs which in turn holds back gains in productivity.

Case Study:

International Trade Advisers (ITAs)

Newable is a leading Delivery Partner of the Department for International Trade. Newable employs c100 sector specialist ITAs who deliver tailored export support to SMEs. Last year Newable helped 9,400 companies in London and the South East achieve £2bn of export sales. Newable has been delivering this service successfully since 2005.

vimeo.com/newable/sybarite

The MEP system provided the model for the UK's Manufacturing Advisory Service which ran until 2015. A Department for Business Innovation & Skills analysis paper published in 2016, "*described a wide range of benefits that MAS offers to businesses. Recurring themes included;*

- *providing independent advice, without emotional attachment to the business;*
- *using expert knowledge to identify and prioritise business specific interventions;*
- *helping businesses to build and disseminate a coherent corporate strategy;*
- *allowing CEOs to discuss concerns with someone outside the business; and*
- *building a long-term relationship with business and adapting support over time*"[21]

Like the network of DIT International Trade Advisers, the Manufacturing Advisory Service was delivered locally, via a national set of Delivery Partnerships. This is exactly the positive intervention required to make an impact to improve business productivity that is required now. Let us be clear we are not advocating an "accelerator" like solution – high growth, ambitious SMEs are well supported. However, we are recommending that the government launches a newly configured service, specifically to disseminate the Industrial Strategy and "tool up" SMEs with "long tail" tendencies to become more productive.

What next

Here is a provocative question: is any of this worth doing?

Andy Haldane calculated the value to the UK economy. *"As a thought-experiment, imagine the bottom three quartiles of the UK productivity distribution saw their productivity gap with the quartile above closed. That would boost UK levels of productivity by around 13%. This would close a large part of the productivity shortfall relative to its pre-crisis trend. And it would make inroads into closing the productivity gap with the US and Germany. In today's prices, it would boost the level of UK GDP by around £270 billion."* [22]

Here is another provocative question: can the UK plc afford the measures proposed in this white paper?

Perhaps the smug answer is can UK plc afford not to adopt these measures? However, in reality we expect these measures to be neutral in cost terms.

Newable is not proposing additional spend. Rather, Newable is proposing deploying existing expenditure more effectively when it comes to delivering advice into SMEs. We are also calling for a change of culture and policy as it relates to financing SMEs and facilitating new, equitable contract opportunities for SMEs within larger supplier chains.

If these measures can be actioned then we believe that the vision Andy Haldane has "*to light the fuse of higher productivity among companies*" [23] will become a reality.

About us

What Newable does

Newable is a company limited by guarantee. While we are profit-making, not having shareholders allows us to re-invest that profit back into expanding our products and services – to further support SMEs. Established in 1982, we help around 15,000 businesses each year, supporting those working at the heart of the economy. We help them start, scale and internationalise their enterprises through our four main areas of activity: Lending, Equity investment, Advisory services and Workspaces.

Why Newable does it

Newable believes in creating economic growth. We recognise that SMEs account for 99% of all businesses in the UK, and that all big businesses were small once. Scaling up does, however, remain a challenge – with access to finance and supply chains the two core issues. These are the barriers we seek to remove, thereby helping SMEs to scale up while maximising their productivity. We also believe that all businesses must focus on delivering a demonstrable social impact, going beyond their bottom line to make a difference to the communities in which they operate. This is essential if business is to retain public trust.

Newable's impact

Advisory services. As one of the Department for International Trade's leading delivery partners, we support smaller businesses in London and the South East to reach target export markets. In the year to April 2017, we helped more than 900 businesses export for the first time, and helped generate exports to the value of £2bn. Working as a delivery partner to Innovate UK, we have also supported 770 early stage businesses in the last year.

Lending. In the first 12 months of operation, Newable Business Finance provided SMEs with £11m of Responsible Finance-compliant, unsecured loans of between £26,000 and £150,000.

Equity investment. Newable Private Investing (formerly London Business Angels) closed 35 deals in 2017, delivering £35m of funding into knowledge intensive businesses.

Workspaces. We have developed 11 light industrial parks around London, turning neglected brownfield sites into economically productive land. These parks currently provide homes to 370 businesses.

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